

## Message Text

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PAGE 01 STATE 101478  
ORIGIN EA-09

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DRAFTED BY EA/IMS:ARDORNHEIM:CCH  
APPROVED BY EA/IMS:EDWARD C. INGRAHAM  
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P 042030Z MAY 77  
FM SECSTATE WASHDC  
TO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L STATE 101478

STADIS////////////////////////////////////

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: INDONESIA LNG FOR CALIFORNIA

REF: STATE 97657

1. WE NOW HAVE COPY OF PUBLISHED NATIONAL ENERGY PLAN  
ISSUED BY EXECUTIVE OFFICE OF THE PRESIDENT. COPY BEING  
POUCHED.

2. FINAL VERSION NO LONGER REQUIRES "AN END TO ALL  
FEDERAL SUBSIDIES" FOR LNG IMPORT PROJECTS, AS EARLIER  
VERSION DID. PLAN STATES THAT AUGUST 1976 ENERGY  
RESOURCES COUNCIL GUIDELINES "ARE BEING REPLACED WITH  
A MORE FLEXIBLE POLICY THAT SETS NO UPPER LIMIT ON LNG  
IMPORTS. UNDER THE NEW POLICY THE FEDERAL GOVERNMENT  
WOULD REVIEW EACH APPLICATION TO IMPORT LNG SO AS TO  
PROVIDE FOR ITS AVAILABILITY AT A REASONABLE PRICE  
CONFIDENTIAL

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PAGE 02 STATE 101478

WITHOUT UNDUE RISKS OF DEPENDENCE ON FOREIGN SUPPLIES.  
THIS ASSESSMENT WOULD TAKE INTO ACCOUNT THE RELIABILITY  
OF THE SELLING COUNTRY, THE DEGREE OF AMERICAN DEPENDENCE  
SUCH SALES WOULD CREATE, THE SAFETY CONDITIONS ASSOCIATED  
WITH ANY SPECIFIC INSTALLATION, AND ALL COSTS INVOLVED".

3. ON CONTRACT CANCELLATION ISSUE, FINAL VERSION OF PLAN

STATES THAT "IN CASES WHERE THE PROPOSED SUPPLIER RETAINS A UNILATERAL RIGHT TO CUT OFF SUPPLY, CONSIDERATION SHOULD BE GIVEN TO CONDITIONING FPC CERTIFICATION ON RECOGNITION OF A RECIPROCAL RIGHT TO CANCEL ON THE PART OF THE U.S. PURCHASER".

4. PLAN ALSO COMMENTS THAT "STRICT SITING CRITERIA WOULD FORECLOSE THE CONSTRUCTION OF OTHER LNG DOCKS IN DENSELY POPULATED AREAS".

5. O'ROURKE RELIEVED TO LEARN OF CHANGES, ALTHOUGH CLEARLY THEY DO NOT MEAN EXIM AND MARAD FACILITIES WILL BE ASSURED. HE ADDED THAT CONTRACT DOES NOT GIVE PERTAMINA ANY UNILATERAL RIGHT TO CUT OFF SUPPLY.

6. WHEN ASKED ABOUT RAMIFICATIONS OF POSSIBLE FUTURE MEXICAN NATURAL GAS IMPORTS THROUGH PIPELINE FROM TABASCO/CHIAPAS FIELDS ALONG EAST MEXICO COAST INTO TEXAS AND THENCE BY EXISTING PIPELINES INTO CALIFORNIA, O'ROURKE WAS NOT TOO DISTURBED. HE POINTED OUT THAT THIS WAS NOT A SUDDENLY AVAILABLE NEW SUPPLY SOURCE. POSSIBLE AVAILABILITY OF MEXICAN GAS HAD BEEN CONSIDERED BY PACIFIC LIGHTING EARLIER AND HAD NOT BEEN REGARDED AS SUFFICIENTLY RELIABLE TO WARRANT DROPPING OF INDONESIA AS A SUPPLY SOURCE. HE ADDED, HOWEVER, THAT DRILLING IN BAJA CALIFORNIA, SO FAR UNSUCCESSFUL, MAY TURN UP SOME GAS DEPOSITS WHICH, IF LARGE ENOUGH, WOULD FIND A NATURAL MARKET IN CALIFORNIA. EVEN IN THIS CASE, HOW-  
CONFIDENTIAL

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PAGE 03 STATE 101478

EVER, O'ROURKE BELIEVES IT WOULD STILL MAKE ECONOMIC SENSE TO IMPORT INDONESIAN LNG.

7. O'ROURKE HAS TALKED WITH PERTAMINA OFFICIAL (BAMBANG) AND PACIFIC LIGHTING VISIT NOW BEING CONSIDERED FOR LATE MAY.

8. WE DO NOT HAVE COPY OF TRUNKLINE DECISION YET, BUT WALL STREET JOURNAL ARTICLE MAY 3 REPORTS THAT FPC REVERSED ADMINISTRATIVE LAW JUDGE'S INITIAL RULING IN FEBRUARY REQUIRING LNG COST TO BE SPREAD EQUALLY AMONG ALL OF TRUNKLINE'S PIPELINE CUSTOMERS OUTSIDE OF LOUISIANA (WHERE LNG WILL BE RECEIVED FROM ALGERIA), REGARDLESS OF WHETHER THEY ACTUALLY RECEIVE THE ALGERIAN LNG. COMMISSIONERS DECIDED THAT ONLY THOSE UTILITY CUSTOMERS WHO ACTUALLY GET THE ALGERIAN LNG SHOULD PAY THE FPC-APPROVED 3 DOLS AND 37 CENTS PER THOUSAND CUBIC FEET PRICE FOR IT. OTHER CUSTOMERS SHOULD CONTINUE PAYING LOWER PRICE FOR U.S. NATURAL GAS. ONE OF FOUR FPC

COMMISSIONERS (HOLLOMAN) DISSENTED FROM INCREMENTAL  
PRICING DECISION OF HIS COLLEAGUES, STATING DECISION

"NOT ONLY PLACES THIS PROJECT IN JEOPARDY BUT MAY DIS-  
COURAGE OTHERS AS WELL". ARTICLE DID NOT DISCUSS ISSUE  
OF AUTOMATIC PRICE HIKE PASS-THROUGHS. VANCE

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## Message Attributes

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**Disposition Date:** 22 May 2009  
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